

## **Chapter 9**

### **Obligations and Recoveries**

#### **9-1. General**

- a. An obligation is any action that legally binds the U.S. Government to make a payment.
- b. Except as authorized under 41 U.S.C. 11, RS 3732, incurring an overobligation or an over-expenditure is a violation of the Antideficiency Act, whether or not it is recorded in the accounting records.
- c. Obligations are an important type of accounting related management information required by U.S. Army activity directors. This information gives an indication of the activity's position in the execution of their current programs. By analyzing "planned" execution information and comparing it with "actual" obligations, accountants can focus management's attention on current programs that are not being executed as planned. For example:
  - (1) Travel and training funds that may be exhausted before fiscal year-end.
  - (2) The fund availability impact of U.S. Army Master Data File (AMDF) unit price changes on open requisitions.
  - (3) Unplanned expenditures for late payment penalties, demurrage, or detention.
  - (4) Obligation execution patterns that are inconsistent with fiscal year-end account expiration and procurement action cutoffs.
  - (5) Historical trend analysis that reflects needed changes to installation systems, policies, or procedures.
  - (6) Local resource management impacts of legislative changes, higher headquarters directives, or reporting requirement changes.
- d. DoD policy states that anticipated appropriation refunds do not reduce obligations nor increase unobligated fund balances. This should only occur at the time the refund receivables are actually collected.

#### **9-2. Professional requirements**

To effectively manage obligations, accountants must understand: each type and its documentation; transaction volume; normal event frequencies; processing procedures; automated system interfaces; and available automated system capabilities used to support analysis.

#### **9-3. Responsibilities**

Accountants are responsible for the application of generally accepted accounting principles and standards. This includes assuring the integrity and accuracy of all obligation information contained in formal and informal reports. Accountants will not accept, process, or maintain obligation documentation that fails to satisfy applicable statutory and regulatory guidance. In no instance will the finance and accounting officer/defense accounting officer fail to record a valid obligation. Accountants will ensure that standard document numbers (SDNs) are used to record all commitments and obligations, (see Chapter 5). Additionally, accountants will:

- a. Post updates to the financial code table files (for example account processing code (APC)/fund code (FC)).
- b. Record control information to support manual updates to the general and subsidiary ledgers. Maintain documentation to support suspense account transactions.
- c. Maintain files of follow-up actions on aged accounts payable and inventories paid-in-transit.
- d. Maintain documentation of transactions submitted to supply activities and higher headquarters for follow-up.

#### **9-4. Procedures by obligation type**

Obligation management depends on the type involved. Specific events are expected to occur within expected timeframes after an obligation for each type. A condition outside the expected pattern may be valid, and yet require analysis by the accounting staff to determine why the transaction did not fit the expected pattern. Identify the individual or activity responsible for the delay and resolve the condition. Several types of obligations and the related forms are:

- a. Obligations based on estimates and administrative determinations. When actual obligation amounts become known, reverse and replace estimated obligations with actual obligations. The estimates and reversals are accomplished using DD Form 2406 (Miscellaneous Obligation Document) (MOD) (See Figure 9-1).
- b. Personnel compensation and benefits (excluding permanent change of station (PCS) costs).
  - (1) Typical obligation documents are:
    - (a) Payroll systems output.
    - (b) DD Form 2406, MOD, used to record estimated obligations for new employees. It may also be used for projected overtime for a specific pay period, lump-sum leave, personnel cost transfers, cash awards, or manual payroll costs.
    - (c) SF 50 (Notification of Personnel Actions).
    - (d) DA Form 1256 (Incentive Awards Nomination and Approval).
    - (e) DA Form 2441 (Suggestion Award Certificate).

- (2) Standards used to control/validate:
  - (a) Use of the standard document number (SDN).
  - (b) Ensure number of unpaid but accrued workdays on monthly payroll MODs are correct.
  - (c) Ensure totals on payroll MODs agree with DD Form 592 (Payroll for Personal Services-Certification and Summary) and are reversed out at the beginning of the subsequent month.
  - (d) Ensure that payroll data is prepared, verified, and controlled for recording accrued payroll expenses into the accounting system.
  - (e) Ensure both activities approve personnel cost transfers. Cost transfers will not affect the fiscal year, basic symbol, limit/subhead, program year, operating agency, or allowance/allotment serial number.
    - c. Personnel compensation and benefits associated with PCS.
      - (1) Typical obligation documents are:
        - (a) DD Form 1614 (Request and Authorization for DoD Civilian Permanent Duty Travel).
        - (b) DD Form 2406 which may temporarily be used in advance of formal documentation that should follow within 30 days.
      - (2) Standards used to control/validate:
        - (a) Use the SDN.
        - (b) Validate accounting classification, including EORs, to the purpose and scope of the orders. (See DA PAM 37-100-FY).
        - (c) Ensure that all PCS orders include an authorization and a obligation for transportation of things (except for local moves).
        - (d) Ensure orders contain proper fund cites.
        - (e) Ensure estimates are reasonable. Consider:
          - 1. House hunting trip;
          - 2. Number of family members;
          - 3. Distance;
          - 4. Travel days;
          - 5. Vehicles (type and number);
          - 6. Temporary quarters and subsistence expense (TQSE);
          - 7. Unexpired lease termination costs;
          - 8. Real estate expenses; and
          - 9. Shipping and storage cost.
      - d. Compensation for travel, per diem, and transportation of persons (excluding PCS).
        - (1) Typical obligation documents are:
          - (a) DD Form 1610 (Request and Authorization for TDY Travel of DoD Personnel).
          - (b) DD Form 652 (Meal Ticket).
          - (c) SF 1164 (Claim for Reimbursement for Expenditures on Official Business).
          - (d) SF 1169 (The United States of America Transportation Request).
          - (e) SF 1034 (Public Voucher for Purchases and Services Other Than Personal).
        - (2) Standards used to control/validate:
          - (a) Use the SDN.
          - (b) Monitor document timeliness and maintain statistics by serviced activity.
          - (c) Monitor document quality for completeness and accuracy, returning those needing additional or corrected information. Maintain statistics on returned documents by serviced activity.
          - (d) File documents by the month travel commences if automated aging is based on accounting office's processing date.
          - (e) Validate accounting classifications including EORs to the purpose and scope of the orders (see DA PAM 37-100-FY).
          - (f) Ensure that travel order costs crossing fiscal years are properly prorated. (Note: 'Subject to availability of funds' statement is required when spanning fiscal years).
          - (g) Transportation offices (TOs) will provide the FAO/DAO copies of travel orders for transportation provided by the Air Mobility Command. Record the obligation upon receipt of these orders The first two positions of the document control number will consist of the initials of the first and last name of the traveler, or if unaccompanied dependents, the sponsor. The next four positions will be the last four digits of the social security account number (SSAN) of the traveler, or if unaccompanied dependents, the sponsor's SSAN. The last two positions will be the FY of travel. The FAO/DAO will use this control number to hold travel orders pending receipt of the Air Mobility Command bill from the U.S. Air Force via cross-disbursing.
          - (h) When a SF 1169 (U.S. Government Transportation Request) is not received by the FAO/DAO prior to receipt of Transactions by Others (TBOs) from DFAS-IN, Transportation Operations, obtain the transportation request (TR) number and amount from the appropriate TO so that the amount of the TR can be identified with the amount of the obligation.

(i) For airline services obtained under Local Payment of Airlines (LOPA) and U.S. Government Travel System (GTS), do the following:

1. Upon receipt of the paid LOPA or GTS voucher, accounting will identify the disbursement with the retained copy of the travel document. When travel is finalized, liquidate that portion of the obligation that was established for transportation with a corresponding recording of a disbursement to the obligated travel order. Process vouchers/documents paid, which are chargeable to another U.S. Army fiscal station number (FSN) or to another service/agency within DoD, using "transactions for others" (TFO) or cross-disbursing procedures.

2. Review DD Form 1588 (Record of Travel Payments) or the automated travel record upon completion of processing of paid LOPA, GTS, or "by others" vouchers to determine if the member's travel voucher has been settled. If travel voucher has been settled, ensure that the travel ticket was taken into account in the settlement. If the travel voucher has not been settled, post DD Form 1588 or the automated travel record to ensure that the ticket is taken into account upon settlement of voucher.

3. Processing refunds due the U.S. Government for unused tickets are explained in Chapter 20. If the refund is to local funds, process as a normal appropriation refund/collection. If the funds are for another U.S. Army FSN, another Service within DoD, or the U.S. Coast Guard, account for the refund as a collection "for others" or "cross-disbursed" in accordance with Chapter 33.

4. When a ticket is lost, stolen, or destroyed, follow these procedures:

(a) The traveler will notify the carrier as soon as possible after ticket is lost; complete a lost ticket refund application; and, if necessary purchase a replacement ticket.

(b) The traveler will notify the installation travel office and complete SF 1170 (Redemption of Unused Tickets). The installation travel office will submit completed SFs 1170 to the carrier along with the lost ticket refund application and copies of the original and replacement tickets.

(c) The installation travel office will provide a copy of the completed lost ticket refund application to the FAO/DAO and a copy to the traveler. The traveler will submit a copy of the completed lost ticket refund application with his travel voucher, DD Form 1351-2 (Travel Voucher or Sub-Voucher) for immediate reimbursement of the replacement ticket. Initial reimbursement will not exceed the cost of the original ticket. If the replacement ticket exceeds the cost of the original ticket, and the carrier refunds cost of the replacement ticket, reimburse the traveler for the additional amount.

(d) The FAO/DAO will establish an accounts receivable based upon the receipt of the completed application from the installation travel office. Upon receipt of the refund from the carrier, the installation travel office will complete DD Form 1131 (Cash Collection Voucher) and presents it with the check to the FAO/DAO to liquidate the accounts receivable. If the carrier notifies the installation travel office that the ticket was used, the installation travel office will request the FAO/DAO to collect the money back from the traveler.

(e) The processing of lost ticket claims at the local level allows immediate reimbursement to the traveler.

5. Supplemental bills represent a claim against the U.S. Government for an additional amount due on a ticket previously paid. See Chapter 20 for payment/claim procedures.

(a) *Claims based on mathematical error* If local funds are used to pay supplemental bills, the FAO/DAO will record an obligation/accrual and a disbursement. If funds are chargeable to another U.S. Army FSN, another service within DoD, or the U.S. Coast Guard, the FAO/DAO will immediately forward a copy of SF 1170 and travel orders to that station for obligating purposes. Thereafter, normal TFO or cross-disbursing procedures apply.

(b) *Claims based on other than mathematical error* (See Chapter 20 for payment procedures.) If local funds, record an obligation upon receipt of the supplemental bill. If funds are chargeable to another U.S. Army fiscal station, another Service within DoD, or the U.S. Coast Guard, the FAO/DAO will immediately forward a copy of the supplemental bill and related travel orders to that station for obligating purposes. In situations where the General Accounting Office (GAO) authorizes payment, the FAO/DAO will use the paid document to liquidate corresponding obligations or process using normal TFO and cross-disbursing procedures.

(c) *Disapproved claims* If GAO disapproves a claim, GAO will send GAO Form 44 (Settlement Certificate) to the claimant and the FAO/DAO who submitted the claim. GAO Form 44 will contain an explanation of the reason the claim was disallowed. If the obligation previously established was chargeable to local funds, the FAO/DAO will process an obligation adjustment. If funds previously charged were those of another U.S. Army FSN, another service within DoD, of the U.S. Coast Guard, the FAO/DAO will immediately forward GAO Form 44 to the designated activity for adjustment (recovery) purposes.

(d) *Accounting for Meal tickets (MTs)* The FAO/DAO concerned will receive the triplicate memorandum copies of all meal tickets (DD Form 652) issued pursuant to travel orders citing specific allotments as prescribed in AR 55-355 (Defense Management Traffic Regulation). Upon receipt of the triplicate memorandum copies of MTs issued, the FAO/DAO will indicate in the fiscal records that portion of the obligation which pertains to MTs. Establish obligations at the maximum rate per meal prescribed in AR 55-355.

e. Transportation of Things (except PCS household goods (HHG) shipments)).

(1) Typical obligation documents are:

(a) SF 1103A (U.S. Government Bill of Lading (GBL)-Memorandum Copy).

- (b) SF 1203 U.S. Government Bill of Lading-Privately Owned Personal Property.
  - (c) SF 1169 (U.S. Government Transportation Request).
  - (d) DD Form 1155 (Orders for Supplies or Services).
  - (e) DD Form 1348-1 (DoD Single Line Item Release/Receipt Document).
- (2) Standards to control/validate:
- (a) Use the SDN.
  - (b) Ensure that all GBLs, demurrage, and detention documentation are certified by the transportation officer.
  - (c) Monitor timeliness of transportation documents.
  - (d) Ensure bulk fund cites to transportation officers are fully obligated and adjusted based on receipt of SF 1169.
  - (e) Fund control officers will assure the availability of funds in connection with all shipping orders, shipping documents, or bills of lading to be issued which cite funds under specific allotments. Such fund citation may be made on the individual document prior to the issuance of the bills of lading to the carrier, or by making funds available in a lump sum under each applicable allotment account.
  - (f) Where the lump sum availability of funds procedure is used, the FAO/DAO will provide funds to the transportation office on a reservation of funds basis for periods not to exceed one month. The transportation office will maintain a record of funds received and funds used. Reconcile the accounts maintained by the FAO/DAO with the transportation office's records within 3 days before month-end. This will ensure that obligations are posted to the end of period status reports.
  - (g) Where transportation charges on materials or supplies to be shipped by GBLs (including requisitions placed with the General Services Administration (GSA) or other U.S. Government agencies) are chargeable to an allotment held by the requisitioning installation, the FAO/DAO will include the following, or a similar appropriate notation, that funds are available on the requisitions: *"Charge transportation to allotment number \_\_\_\_\_. Send copy of bill of lading to (name and address of FAO/DAO) showing thereon, in addition to the above allotment number and the number of this requisition, and the carrier's estimate of charges for transportation furnished."*
  - (h) If the FAO/DAO receives a bill of lading not applicable to that FSN, promptly forward the bill of lading to the FAO/DAO of the installation whose FSN is identified in the accounting classification. Forward and retain bills of lading received which cite fiscal station "S99999" in the accounting classification in the permanent records of the installation which issued the order for shipment.
  - (i) Analyze GBLs showing obligations for transportation of supplies, to determine whether they relate to "first destination transportation" or "second destination transportation." Block and process separately the bills of lading applicable to "first destination transportation." Make accrued expenditure adjustments on the basis of TBO charges or refunds received from DFAS-IN's Transportation Operations.
  - (j) All transportation bills and related charges paid for or collected by DFAS-IN, Transportation Operation will be forwarded to FAOs/DAOs via TFO/ TBO. (See Chapter 33). The FAO/DAO should have already received a copy of the related transportation document from the issuing TO. Copies received from the issuing TO are used to record the obligation and/or adjustments. Upon receipt of the weekly RCS CSCFA-110 from DFAS-IN, Transportation Operations, the FAO/DAO will process the TBOs in accordance with Chapter 33. If copies of transportation documents are required, the FAO/DAO will notify the responsible MACOM. DFAS-IN, Transportation Operation provides each MACOM a complete set of documents on micro-fiche. If copies of required documents are not available at the MACOM, FAOs/DAOs will submit DD Form 870 (Request For Fiscal Information Concerning Transportation Requests, Bills of Lading, and Meal Tickets) to: DFAS-Indianapolis Center, ATTN: DFAS-IN/FTGC, 8899 East 56th Street, Indianapolis, IN 46249-1601. See Figures 33-4, 33-5, and 33-6 for completion instructions for DD Form 870. Submit a DD Form 870 for each type of document requested. DFAS-IN's Transportation Operations will not process requests if more than one document type is listed on DD Form 870. It is very important that requesting FAOs/DAOs provide the complete return address on DD Form 870. This will ensure that requested copies are forwarded to the correct address. Upon receipt of requested documents, either from the MACOM or DFAS-IN's Transportation Operations, the FAO/ DAO will notify the issuing TO, in writing, and will emphasize the requirement that fiscal copies of GBLs, GTRs, and MTs (with copies of orders) be transmitted promptly to the FSN whose specific funds are cited in the accounting classification (reference AR 55-355).
  - (k) Loss and damage collections made by DFAS-IN Transportation Operations for the value of U.S. Government property lost or damaged in transit by carriers, and for associated unearned freight, based on SF 361 (Transportation Discrepancy Report (TDR)), will be refunded by DFAS-IN Transportation Operations via TFO/TBO process. The FAO/ DAO is notified by DFAS-IN, Transportation Operations, that a claim has been filed against a carrier for a specific dollar amount. When notified, the FAO/DAO will establish a claims receivable and process a collection upon receipt of the TBO credit.
  - (l) A canceled transportation document is defined as a document canceled by the issuing TO before it is surrendered to the carrier or vendor for service to be performed. When unused transportation requests (TRs), citing specific allotments, special open allotments, or working capital funds, are canceled, the FAO/DAO of the FSN cited in the accounting classification of the document will receive a copy of DD Form 730 (Receipt of Unused

Transportation Requests and/or Tickets Including Meal Tickets) with a copy of the travel order/obligating document from the TO. Upon receipt of this documentation, adjust obligations accordingly.

(m) A copy of the unused GTRs, TRs, and MTs, attached to DD Form 730, will be provided to the FAO/DAO by the TO.

1. The FAO/DAO will establish a refund receivable, only for totally unused tickets, and await refund from DFAS-IN's Transportation Operations. When the FAO/DAO is advised that a transportation document has been canceled and such advice is received prior to processing the TBOs, the affected TBO transaction will be rejected back to DFAS-IN's Transportation Operations. For rejection letters, see Chapter 33. The FAO/DAO will attach a listing for canceled documents. This listing, with a copy of DD Form 730, will show the complete transportation document number and the accounting classification for each document. If item was paid (TBO processed) prior to receiving the cancellation notice, the FAO/DAO will provide a copy of DD Form 730 with supporting documents to the TO requesting a credit from DFAS-IN Transportation Operations.

2. For partially unused tickets returned to DFAS-IN Transportation Operations for credit, the FAO/DAO will not establish a refund receivable but will hold the DD Form 730 and supporting documentation until credit is received from DFAS-IN Transportation Operations. (NOTE: Amounts refundable for partially unused tickets are not known nor can they be estimated until refund is made.) If refund/credit (via TBO) is not received within 120 days for partially unused tickets and the appropriation involved has not expired for obligation purposes, submit inquiries to: DFAS-Indianapolis Center, ATTN: DFAS-IN/FTC), 8899 East 56th Indianapolis, IN, 46249-1601. If DFAS-IN does not collect from the carrier, the tickets are turned over to GSA for collection and the FAO/DAO is notified of this action. GSA does not make refunds to FAOs/DAOs for partially unused tickets. The FAO/DAO will establish and write off the refund receivable against the appropriation charged on the transportation document once notified by DFAS-IN's Transportation Operations.

(n) For lost, stolen, or destroyed GTRs the traveler will immediately notify the designated carrier and the issuing TO. The TO will assist the traveler in preparing and forwarding a report by message to: DFAS INDIANAPOLIS IN//DFAS-IN/FTH//. The lost GTR report will include the following information:

1. Serial number of lost GTR.
2. Serial number of replacement GTR and name of activity where issued.
3. Date, place, and circumstances relating to loss.

(3) If DFAS-IN Transportation Operations collects from the carrier, a credit will be processed to the FAO/DAO via TFO/TBO. If the GTR was in fact used either by the traveler or a third party, the FAO/DAO will initiate collection action against the traveler.

(o) Travelers whose orders authorize excess baggage will pay the excess baggage charges directly to the airline at the time of flight check-in. If this procedure imposes an unwarranted hardship on the traveler, the TO may issue an individual GTR to obtain shipment of the excess baggage (reference AR 55-355). However, the use of GTRs for this purpose is to be held to a minimum. Funds can be advanced to the traveler to pay excess baggage expense in cash. The excess baggage receipts obtained from the servicing air carrier will be turned in with the settlement voucher to support the claim.

f. Contract obligations

(1) Typical obligation documents by contract type are:

(a) Leases and rentals.

1. DD Form 1155.

2. SF 33 (Solicitation, Offer, and Award).

3. SF 30 (Amendment of Solicitation/Modification of Contract).

4. DD Form 2406 (MOD) used to record obligations for contracts that have been let but hard copy document has not been received. Upon receipt of the hard copy document, reverse out the MOD and record the contract.

(b) Printing and publication.

1. GPO Form 2511 (Print Order).

2. GPO Form 1026A (Print Order for Marginally Punched Continuous Forms).

3. GPO Form 1476 (Government Printing).

4. DD Form 282 (DoD Printing).

5. SF 1 (Printing and Binding Requisitions).

(c) Communications and utilities. The usual obligation document is DD Form 2406.

(d) Reimbursable services. (See Chapter 12 for reimbursable procedures.)

1. DD Form 448-2 (Acceptance of Military Interdepartmental Purchase Request).

2. DD Form 1144 (Support Agreement).

3. Memorandum of agreement (MOA).

4. Memorandum of understanding (MOU).

(e) Types of purchase orders.

1. SF 33.

2. SF 30.

3. DD Form 1155.
  4. SF 44 (Purchase Order-Invoice-Voucher).
  - (f) Types of delivery orders. Usually DD Form 1155 (Order for Supplies for Services/Request for Quotations).
  - (g) Miscellaneous contracts.
    1. SF 23 (Construction Contracts).
    2. SF 33.
    3. SF 30.
  4. DD Form 1556 (Request, Authorization, Agreement Certification of Training and Reimbursement).
  5. DD Form 448-2 (Acceptance of Military Interdepartmental Purchase Request). When a direct fund cite is used, the performing activity will provide a copy of the contract or other obligating documents to the ordering activity. This will provide the documentation required to record the obligation. Otherwise, if not a direct fund cite, the ordering activity will obligate upon receipt of the accepted DD Form 448-2.
  6. Letter Contracts or Letters of Intent.
    - (2) Standards used to control/validate are:
      - (a) *Leases and rentals*.
        1. Use the SDN.
        2. Ensure input into correct month and fiscal year.
      - (b) *Printing and reproduction*.
        1. Use the SDN.
        2. Ensure that obligation documents contain proper accounting classifications and properly distinguish between inside or outside the U.S. Government.
      - (c) *Communications and utilities*.
        1. Use the SDN.
        2. Ensure that MODs are adequately supported with documentation for estimates applicable to specific accounting periods.
      - (d) *Reimbursable services*.
        1. Use the SDN.
        2. Ensure obligation documents contain the name and phone number of the point of contact to determine status.
        3. Ensure that obligation documents reflect signatures and dates.
      - (e) *Purchase orders*.
        1. Use the SDN.
        2. Ensure documents are coded according to obligation rules and in an amount net of discount, if warranted.
        3. Ensure proper approval on documents.
      - (f) *Delivery orders*.
        1. Use the SDN.
        2. Before processing a delivery order, ensure that a contractual agreement (Requirements Contract) has been negotiated and signed.
        3. Ensure that the contract number and the number on the delivery order agree.
        4. Ensure that if there is a discount involved, the obligation is recorded net of discount.
    - (g) *Miscellaneous contracts*.
      1. Use the SDN.
      2. Record transactions according to obligation rules specified in this chapter. Record net of discount, if warranted.
      3. Ensure validity of the coded fund cite.
  - g. Supplies and materiel (Non-U.S. Army DBOF- Supply Management Army (SMA)).
    - (1) Types of obligation documents used are:
      - (a) DD Form 1155.
      - (b) SF 44.
      - (c) SF 33.
      - (d) SF 30.
    - (2) Standards used to control/validate:
      - (a) Use the SDN.
      - (b) Record documents according to the obligation rules specified in this chapter. Record amounts net of discounts, if warranted.
      - (c) Ensure proper certification and signature on documents.
      - (d) Check unit amounts on orders for reasonableness. Contact activities on questionable items before processing.
- h. Supplies and materiel (Army DBOF SMA).
  - (1) Typical documentation includes:
    - (a) Obligation, accrual, and disbursement data created from the financial inventory accounting system interfacing with the consumer fund accounting system. This includes on-post customers.

(b) Obligation, accrual, and disbursement data from manual documents generated to supplement the various automated systems.

(2) Standards used to control/validate:

(a) Use the SDN.

(b) Ensure that automated interfaces utilize the most current data files for each cycle. With the lack of physical documentation for the U.S. Army DBOF-SMA transactions, the verification of input and balance forwarded data is imperative.

(c) Post acquisition authority by materiel category, as approved.

(d) Clear prior-cycle rejected transactions on a daily basis in coordination with supply activities.

(e) Research and clear suspense transactions within 120 days.

(f) Ensure that financial code table files are accurate.

(g) Process bills on time and against current unbilled transactions.

(3) Recording of most accounting transactions will occur during the routine processing of automated supply and financial interfaces.

### 9-5. Rules of obligation

a. Generally, obligations are incurred when amounts of orders placed, contracts awarded, services received, and similar transactions during a given period will require payments during the same or some future period. Obligations must satisfy legal requirements before they may be properly recorded to appropriation accounts. Whether appropriations are legally available for obligation and expenditure depends upon the following:

(1) The purpose of the obligation must be one for which the appropriation was made (31 U.S.C. 1301(a)).

(2) The obligation must be incurred within the time that the appropriation was made available for new obligations (31 U.S.C. 1502(a)).

(3) The obligation may not exceed the amount appropriated by statute, nor may it be incurred before the appropriation becomes law, unless otherwise provided by law (31 U.S.C. 1341 and 41 U.S.C. 11).

(4) See paragraph d. below for closed year obligation rules.

b. All obligations will be promptly recorded as charges to the applicable appropriations. Prompt recording will meet the requirements for control over funds, provide essential management information, and facilitate the preparation of statements and required reports. Documentary requirements for recording obligations incurred in the course of U.S. Government activity are provided in 31 U.S.C. 1501(a). This provision specifically directs that no amount shall be recorded as an obligation unless it is supported by documentary evidence of --

(1) a binding agreement between an agency and another person (including an agency) that is --

(a) in writing and for a purpose authorized by law; and

(b) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;

(2) a loan agreement showing the amount and terms of repayment.

(3) an order required by law to be placed with an agency.

(4) an order issued under a law authorizing purchases without advertising -

(a) when necessary because of a public exigency;

(b) for perishable subsistence supplies; or

(c) within specific monetary limits;

(5) a grant or subsidy payable --

(a) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law;

(b) under an agreement authorized by law; or

(c) under plans approved consistent with and authorized by law;

(6) a liability that may result from pending litigation;

(7) employment or services of persons or expenses of travel under law;

(8) services provided by public utilities; or

(9) other legal liability of the U.S. Government to an available appropriation or fund.

c. Obligate funds --

(1) For purposes for which they were appropriated, per 31 U.S.C. 1301(a): *'Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.*

(2) To meet a bona fide need of the current FY. A fiscal year appropriation may be obligated only to meet a legitimate, or bona fide, need arising in, or in some cases arising prior to but continuing to exist in, the fiscal year for which the appropriation was made (68 Comp.Gen.170,171 (1989); 58 Comp. Gen. 471, 473 (1979); 54 Comp. Gen. 962, 966 (1975)). The statutory basis for the bona fide need rule is 31 U.S.C. 1502(a), 31 U.S.C. 1341(a), and 41 U.S.C. 11. This includes replacing stock used during the current FY. Needs for future years are considered bona fide needs of current fiscal year funds if procurement lead time or required stock levels require action in the current year. Obligate procurement or RDTE funds appropriated during a prior fiscal year if a bona fide need is established

during the period of availability of the funds cited. There is an exception to the "bona fide needs" rule based on 10 U.S.C. 2410a. This statute allows for the obligation of current fiscal year funds at anytime during the FY for certain contracts beginning during the fiscal year. This applies to contracts covering a period of twelve months or less that are for--

(a) The maintenance of tools and facilities.

(b) The lease of real or personal property, including the maintenance of such property when contracted for as part of the lease agreement.

(c) Depot maintenance.

The bona fide needs rule applies to multiple-year and single-year appropriations (68 Comp. Gen. 170,171 (1989)).

(3) Determination of what constitutes a bona fide need of a particular fiscal year depends primarily on the facts and circumstances of the particular case. Depending upon your facts and circumstances, apply the following general bona fide need rules. Application of these rules to more specific situations is provided in Tables 9-1 through 9-7.

(a) Obligate current year funds for needs of the current year when the entire transaction (contract, or purchase, delivery, or other performance, and payment) occurs during the same fiscal year. Needs of the current year include not only items to be used during the current year, but also items to be used in future years if such items constitute a legitimate inventory at reasonable and historical levels.

(b) Obligate current year funds for needs of the current year when contractor performance and government payment partly extend into subsequent fiscal years. Needs of the current year include performance under non-severable contracts to be received in subsequent years, but do not include performance under severable contracts to be received in subsequent years. See Table 9-1.

(c) Obligate multiple-year appropriations for needs arising at any time during the appropriation's period of availability.

(d) Obligate multiple-year appropriations to fund multi-year contracts. Multi-year contracts cover the needs of more than one fiscal year, and are to be distinguished from a contract signed in the current year, for current needs, for which performance may extend over several years.

(e) Do not obligate current year funds for the needs of a future fiscal year. However, where materials cannot be obtained in the same fiscal year in which they are needed and contracted for, provisions for delivery in the subsequent fiscal year do not violate the bona fide needs rule as long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources. (38 Comp. Gen. 628, 630 (1959), GAO, Principles of Federal Appropriations Law, Chapter 5, page 20, (1991)).

(f) Do not obligate current year funds for the needs of a prior year. If the prior year needs still exist in the current year, obligate current year funds to satisfy the "continuing need." If an obligation had been incurred in the prior year, whether recorded or unrecorded, then prior year funds must be used to fund the prior year needs. The statutory requirements for obligating funds to satisfy liabilities of closed appropriations are set forth at paragraph 9-5.

(g) Obligate funds current when a severable contract is signed for the amount of the contract, or the amount necessary to fund the contract to the end of the appropriation's life, whichever is less. Thus, severable contracts covering more than one fiscal year must be funded by appropriations of the fiscal years in which the services are rendered. Severable contracts are continuing and recurring in nature, such as for rents or for performance of purely personal services. See Table 9-1.

(h) Obligate funds current when a severable contract with renewal options is signed to cover the basic period and any penalty charges for failure to exercise options. Exceptions to this rule are allowed in foreign countries where laws and customs require advance payment. See Table 9-1.

(i) Obligate funds current when a non-severable (also referred to as "entire" or "single entity") contract is signed for the full amount of the contract. Non-severable contracts are for single undertakings in which the services to be received cannot be separated for performance in separate fiscal years; that is, whether they represent a single undertaking. Training tends to be non-severable. See Table 9-1.

(j) Use funds previously obligated to complete or replace work, supplies, or services which have not been provided because contractor default necessitated contract termination. Such funds can be used beyond their original period of obligational availability to fund replacement contracts if a bona fide need still exists, if the replacement contract does not exceed the scope of the original contract, and if the replacement contract is awarded within a reasonable time after termination of the original contract. This is true even though the dollar value may increase. See Table 9-7.

(k) Obligate the year of funds used on the original contract when a contract amendment is attributable to "antecedent liability", that is, when it is enforceable under a provision in the original contract and the amendment does not exceed the general scope of the original contract.

(l) Obligate current year funds for a contract amendment if the amendment exceeds the general scope of the original contract.

(m) Obligate the year of funds used on the original contract for contract amendments within the general scope of the contract. (Current year funds may be used if these funds are not sufficient and no antecedent liability exists.) See Table 9-7.

(n) Obligate current funds if there is bona fide intent that the contractor or other performer will start work promptly and perform under the terms and conditions of the contract without unnecessary delay.

(o) Obligate using unexpired funds for all contract changes that: are changes in scope; require additional contractor work; or require additional contractor billable costs.

(4) Using funds current when the U.S. Government's obligation (liability) is incurred. There are exceptions to this rule for contracts terminated for the convenience of the U.S. Government and contracts awarded following resolution of a protest. These exceptions are discussed in more detail in subsequent paragraphs.

(5) For purposes as approved in FMS negotiated agreements (that is, DD Form 1513 (U.S. DoD Offer and Acceptance)).

d. After accounts close, for any obligation adjustment or payment that would normally have been charged (as to purpose and amount) to those accounts before closing, and that are not otherwise chargeable to current appropriations, use unexpired direct funds available for the same general purpose subject to the limitations cited below to obligate and pay for obligated balances (direct and reimbursable) canceled when an appropriation closed pursuant to 31 U.S.C., Sections 1552, 1555, or 1557. Obligate the unexpired account available for the same general purpose subject to the limitations cited below when payments occur during the current fiscal year. Amounts that may be obligated and paid from unexpired accounts available for the same general purpose are limited by statute to the lesser of:

(1) One percent (1%) of the total original amount appropriated to the unexpired appropriation being charged (HQDA level); or

(2) The unused, unobligated balance of the unexpired appropriation being charged; or

(3) The unexpended balance of the original appropriation (that is, the closed appropriation).

e. When signatures are required to validate obligations, sign the documents before the cited funds expire. Show the actual date of each signature. When more than one signature is required, record the obligation on the date of the last required signature.

f. Record a letter or notice of award as an obligation when the letter or notice is signed by an authorized U.S. Government representative.

g. Cite the next FY's appropriation on a TDY travel order issued in the current FY for travel in the next FY. These orders will include a statement, "subject to availability of funds." Do not record obligations for the next FY in the current FY. There is an exception for military personnel which authorizes advance payments of certain PCS travel and transportation allowances according to 37 U.S.C. 303 of the Career Compensation Act of 1949. This pertains to DITY (Do it yourself) moves (see Chapter 39). Charge all costs incurred by the U.S. Government before the date of relief (for example, service members dependents traveling before release date) to the appropriation current at the time the payment is made with a subsequent adjustment to the proper fiscal year (appropriation current in the month of relief). The only exception is the cost of non-temporary contract commercial storage of household goods which is charged to the period during which the service is rendered.

h. If a contract is terminated for default, the appropriation originally cited may be used in a subsequent fiscal year to fund a replacement contract provided all of the following requirements are met:

(1) The contract was made in good faith;

(2) A continuing bona fide need for the ordered item or services still exists;

(3) The replacement contract is of the same size and scope as the original contract;

(4) The replacement contract is executed without undue delay after the original contract is terminated for default.

i. If a contract is terminated for convenience pursuant to a court order or a determination by other competent authority (such as a board of contract appeals, GAO, or the contracting officer) that the original award was improper, the appropriation originally cited may be used in a subsequent fiscal year to fund a replacement contract after consulting with legal counsel provided all the following requirements are met:

(1) The original award was made in good faith;

(2) A continuing bona fide need for the goods or services still exists;

(3) The replacement contract is of the same size and scope as the original contract;

(4) The replacement contract is executed without undue delay after the original contract is terminated for convenience; and

j. When a procurement action will result in a replacement contract, it may be funded from expired accounts if all of the following conditions are met:

(1) The DoD component has a continuing bona fide need for the goods or services involved.

(2) The original contract was made in good faith.

(3) The original contract was terminated for default or for the convenience of the Government. If the original contract was terminated for the convenience of the Government, the termination was the result of a--

(a) Court order.

(b) Determination by a contracting officer that the contract award was improper when there is explicit evidence that the award was erroneous and when the determination is documented with appropriate findings of fact and of law.

(c) Determination by other competent authority (the General Accounting Office or a Board of Contract Appeals), that the contract award was improper.

(4) The replacement contract is:

(a) Substantially of the same size and scope as the original contract.

(b) Executed without undue delay after the original contract is terminated.

(5) Actions resulting in obligations which exceed \$4 million and \$25 million are submitted to the DoD Comptroller and Congress, respectively, for prior approval.

k. According to 31 U.S.C. 1558, funds available to an agency for obligation for a contract at the time a protest is filed with GAO in connection with a solicitation for, proposed award of, or award of a contract remain available for obligation for ninety (90) working days after the date on which the final ruling is made on the protest. A ruling is considered final on the date on which the time allowed for filing an appeal or request for reconsideration has expired or the date on which a decision is rendered on such an appeal or request, whichever is later. Based on the foregoing language, cited funds committed (if protest filed pre-award) or obligated (if protest filed post-award) at the time a protest is filed with GAO may be used to award a contract within ninety (90) working days following the final resolution of the protest even though the appropriation cited may have expired for obligation. The language of 31 U.S.C. 1558, in effect, extends the life of the funds cited for the contract under protest for 90 working days after the final ruling on the protest.

l. Record obligations for supply items when orders are "placed." **NOTE** Units and activities submitting requests for issue to the stock record offices are only committing funds, not incurring obligations.)

(1) Orders are "placed" when requisitions are processed. Only stock record account holders are authorized to place orders by processing requisitions. In areas with multiple stock record offices (SROs), only the designated supporting SRO for these activities may process requisitions.

(2) Requisitions may be processed while the supply system remains open. The supply activity should remain open through the last day of the fiscal year to ensure all requisitions are processed

(3) Ordering activities must modify or cancel open, unfilled requisitions prior to an appropriation's closing. If ordering activities determine a bona fide need still exists for the supplies or equipment, they must request the requisition be modified to cite the current appropriation using MILSTRIP document modifier procedures. These adjustments aren't subject to the limitations in paragraph 9-5d.

(4) Once the supply system is closed for the fiscal year, requisitions will not be processed. This means no more supply obligations can be incurred for that FY. Exceptions to this policy (By Pass Authority) can only be authorized by requests through command channels to Headquarters Department of the Army, Office of the Deputy Chief of Staff for Logistics (DCSLOG).

m. Use appropriated funds originally cited for Military Standard Requisition and Issue Procedures (MILSTRIP) requisitions processed, or local purchase orders --

(1) Placed to replace requisitions canceled or rejected for causes other than the requisitioner's request for cancellation, or from his or her failure to respond to a materiel obligation validation (MOV) request.

(2) Issued by the original requisitioner or a substitute requisitioner funded for supply purchases from the same formal subdivision of funds (allocation or allowance/allotment) as the original requisitioner.

(3) Issued to re-requisition the original item or a suitable replacement item (for example, an interchangeable or substitute item identified in the Army Master Data File (AMDF)).

(4) Issued to satisfy a pre-existing and continuing bona fide need of the original or substitute requisitioner for the original replacement item.

(5) Issued to requisition materiel that is substantially of the same size and scope as the original requisition.

(6) Issued for replacement contracts when the original requisition is not canceled by a customer's request for cancellation or by the customer's failure to respond to a MOV request (including requisition cancellations with a status code of "BQ"). However, if a request for cancellation is submitted due to extenuating circumstances, due to no fault of the requisitioner, the resulting "BQ" may be re-utilized if other rules for re-utilization are met.

n. Do not obligate before receiving funds unless specifically authorized by law. At fiscal year-end, when lead time requires the processing of documents before funds become available in the next FY, include the statement, "*Subject to availability of funds*" on the obligating document in accordance with FAR 32.703-2. Do not accept services or supplies from a contractor until funds are made available for payment and a valid contract has been let.

o. Each year the U.S. Army receives its funds from four (4) separate Appropriation Acts. They are as follows:

(1) Housing and Urban Development (expenses for Arlington National Cemetery).

(2) Military Assistance Program (MAP), Foreign Military Financing (FMF), and International Military Education and Training (IMET), and transfers from Executive Branch appropriations.

(3) Military Construction (Military Construction, Army (MCA)); Military Construction, Army National Guard; Military Construction, Army Reserve; Family Housing Management Account (FHMA).

(4) DoD Appropriation Act (all remaining Army appropriations).

p. Until each Appropriation Act is passed and signed into law, no new obligations are authorized except as listed below or until other guidance is issued. A Continuing Resolution Authority (CRA) is interim authority until permanent appropriations are enacted. It authorizes continuation of normal operations while preserving Congressional and Presidential prerogatives. Unless the DASA (Army Budget) issues other instructions, a CRA provides for the following:

(1) Operations at a rate not to exceed the latest Congressional action or the previous year's rate, whichever is lower. This is an annual rate and does not limit obligations for a particular period to the amount of the corresponding period of the preceding FY.

(2) No new starts or expansions to ongoing programs. OMA-funded minor construction is not considered a new start.

(3) New obligations for the new single FY DA, DoD, and transfer appropriations; for continuing projects and/or activities conducted in the prior FY at rates not exceeding the allowances/allocations issued according to procedures identified in DASA (Army Budget) CRA messages.

(4) Procurement and RDTE appropriations obligations for the new FY program to the extent that an approved program has been released by HQDA for execution, at rates not to exceed funding provided by allocations.

(5) Obligation of new FY consumer-funded requisitions submitted by the SRO within allowances/allotments. Supply and fund managers must institute front-end controls of obligation authority to preclude over-obligations.

q. DA provides national security as required by the U.S. Constitution. In the event that no Appropriation Acts are signed into law by the President of the United States, and a "No-CRA" condition exists, obligations may continue during the new FY for a minimum mission essential business. For the procurement and RDTE appropriations, obligations for prior-year program may be incurred within available allocations. Obligation for new current year program may be incurred to the extent an approved program has been released by HQDA for execution at rates not to exceed funding levels approved by allocation targets issued according to established procedures. All personnel will continue to report to work unless otherwise instructed. These instructions will remain in effect unless specifically revised or formal notification is made that a CRA or the Appropriation Act has been enacted. Implementing instructions will be provided should either circumstance occur. To ensure that consistent, up-to-date information is released to field activities, DASA (Army Budget) will issue sequentially numbered messages addressing operations during a "No CRA or a CRA" period. See Chapter 13 for "No-CRA" disbursement policy.

r. Do not record an obligation for --

(1) More than the legal liability of the U.S. Government.

(2) Contemplated changes.

s. Send required obligating documents to the servicing FAO/DAO immediately after the documents are completed. Those activities transmitting accounting transactions to the FAO/DAO via automated systems interfaces will no longer provide hard-copy documents. Instead, the responsible activity will retain these documents for future use (e.g., auditors, joint reviews). The responsible activity will retain accounting documents in accordance with AR 25-400-2.

(1) When obligating officials make direct input to automated accounting files, enter transactions not later than the following day, except at month-end when input must be made by the FAO/DAO established cutoff date. (Note: This should be the last workday of the month).

(2) When documents are sent to FAO/DAO, submit them not later than the following day, adhering to the FAO/DAO established month-end cutoff date.

(3) In the absence of a normal obligating document, prepare and send interim documentation, including --

(a) Document number and date the authorizing officials signed the obligating document.

(b) Contractor's name and address.

(c) Actual or estimated amount.

(d) Quantity and/or description of items or services being procured.

(e) Complete accounting classification.

(f) Statements that all required signatures have been obtained and the obligating document has been sent or estimated date that it will be sent.

(4) Use DD Form 2406 (MOD) to record valid obligations for which the proper obligating source document is currently not available, such as for utility services and payroll. MODs may be used to obligate supply requisitions if supported by the obligating source document (for example, for supply requisitions, DD Form 1348-1 (DoD Single Line Item Release/Receipt Document), that have been processed by the area's servicing stock record officer.

{NOTE: DA Form 2765-1 (Request for Issue or Turn-In) is a commitment document, not an obligation document. This also true for DA Form 3953.} Do not use MODs to record obligations until the following information, as a minimum, is provided and included:

(a) Identification of the proper existing, but currently unavailable, obligation document.

(b) Identification numbers of the proper obligating source document, date the source document was signed, and the amount.

(c) Other pertinent facts necessary to specifically identify the obligation.

t. The procurement office must furnish copies of procurement instruments to the certifying official for determination of propriety for payments even when there is a machine listing to support the recording of an obligation.

u. Decrease obligations for Economy Act (31 U.S.C. 1535) orders citing annual and multi-year appropriations to amounts obligated by performing agencies at the end of the FY when the cited appropriations expire for obligation purposes. Return unused funds to the customer. (See Chapters 12 and 28).

v. There are two distinct approving and reporting requirements for obligation adjustments in expired accounts.

(1) Allowance/allotment holders must approve all individual transactions resulting in an upward obligation adjustment of \$100,000 or more. This includes any disbursement of \$100,000 or more charged to a centrally managed allotment. There is no requirement to report these transactions, except as noted in paragraph (2), below. However, finance and accounting officers/defense accounting officers will maintain a permanent file for each of these transactions to provide a clear audit trail to comply with DoD (Comptroller) requirements. The permanent file must identify the following information:

(a) Appropriation (department, FY, basic symbol).

(b) Program, project, or activity.

(c) Amount of adjustment (dollar value, document reference number, and contract/modification number).

(d) Reason for adjustment. Examples include: settlement of contractor claims (that is, does not involve litigation under the Contract Disputes Act), escalation clause increases (economic price adjustments, incentive/award fees, and so forth), price inflation, or other legitimate adjustments including description (for example, retroactive pay raises, accounting errors, and so forth).

(e) Written documentation supporting these charges/adjustments as a legitimate use of expired appropriations. This statement is required for all contract changes citing expired funds, not only those changes of \$100,000 or more. The documentation must state the charges or adjustments don't require, involve, or result in additional work, changes in scope, or additional contractor costs. It must also include a comprehensive statement concerning the circumstances, contingencies, or management practices causing the need for such adjustment. Contracting officers, legal counsel, and/or program managers are responsible for making such determinations and providing the written statement supporting the charges or adjustments. The written statement must include the name, title, and telephone number of the individual making the determination.

(f) Determination of amount pertaining to the \$4 million/\$25 million approval thresholds.

(2) 31 U.S.C. 1553(c) established approval thresholds for contract changes requiring additional work (scope change). Current obligation rules require using unexpired funds for contract changes requiring additional contractor work. In the event this obligation rule doesn't pertain to an appropriation or specific transactions, U.S. Army activities must comply with the approval threshold requirements. Specific requirements are as follows:

(a) The Secretary of the Army and the DoD Comptroller must approve any contract change requiring additional work when the cumulative upward adjustments during a fiscal year for any program, project, or activity is greater than or equal to \$4 million but less than \$25 million.

(b) Besides the Secretary of the Army and the DoD Comptroller approval, the U.S. Congress must be notified and a waiting period of thirty days must take place when the cumulative upward adjustments resulting from contract changes requiring additional work during a fiscal year for any program, project, or activity is greater than or equal to \$25 million.

(3) The following terms apply to the thresholds in paragraphs (2a) and (2b), above.

(a) "Contract changes" are changes to existing contracts after the appropriation expires for obligation purposes under which the contractor is required to perform additional work. Contract changes do not include:

1. Adjustments to pay claims.

2. Increases under escalation clauses (for example, economic price adjustments, incentive/award, Defense Contract Audit Agency (DCAA) adjustments, and so forth), price inflation, retro-active pay raises, accounting errors, and so forth.

(b) "Program, project, or activity" is defined.

1. P-1 and R-1 (Budget line/program element) level for procurement and RDTE appropriations.

2. Appropriation level for military personnel, operations and maintenance, and military construction appropriations.

3. The most specific level of budget items identified in the DoD Appropriation Act for all other appropriations.

(c) MACOMs/operating agencies will not exceed approval levels without permission from HQDA. Send requests for approval to the Assistant Secretary of the Army (Financial Management and Comptroller), Budget Execution and Policy Division, ATTN: SAFM-BUC-E, Room 3B680, 109 Army Pentagon, Washington, DC 20310-0109. The requests will contain the following documentation:

1. Appropriation (department, fiscal year, and basic symbol).

2. Program, project, or activity.

3. Amount of adjustment (dollar value, document reference number, and contract/modification number).

4. Include contract number, name of contractor, and purpose of contract, and synopsis of additional work required by contract change. Written documentation supporting these charges/adjustments as a legitimate use of expired

appropriations. "Within scope change" will require interpretation by legal counsel and/or a contracting officer at the local level. This statement will include the name, title, and telephone number of the individual making this determination.

5. Original value of the obligation.

6. Date of original obligation.

7. Amount of prior upward adjustments and recoveries by fiscal year.

8. Justification for use of expired funds for the proposed restoration, including legal and policy reasons.

9. Statement of the cumulative total of approved change requests for the "program, project, or activity," including this request, in current fiscal year.

10 The request for approval shall contain the statement: *"Sufficient justification and documentation is retained at this headquarters and/or subordinate activities."*

11. MACOMs must realize it will take time to prepare the request, coordinate, provide to DoD Comptroller, and receive approval back. The U.S. Army Budget Office (SAFM-BUC-E) will obtain all appropriate U.S. Army staff/Secretariat coordinations and submit the request with the documentation attached to the DoD Comptroller for review and approval within 30 days. ABO will notify the MACOM/OA of approval or disapproval. MACOMs/OAs will include approvals and retain complete documentation including required statements for future review and audit.

12. Obligations will not be recorded until approval is received by HQDA.

w. Appropriations closed pursuant to 31 U.S.C., Sections 1552, 1555, or 1557 are not available for obligation or disbursement for any purpose. Closing appropriations doesn't cancel the U.S. Government's legal obligation to pay contractors for services rendered or products delivered. Nor does it nullify the need for the accounting office to maintain an audit trail supporting the existing contingent liability to future appropriations. Follow the obligation rule for obligation adjustments or disbursements required after appropriations close.

(1) 31 U.S.C. 1553(a) requires fixed accounts (that is, appropriations available for obligation for a definite period) to retain fiscal year identity for five (5) years after expiring. During this five-year period, the expired account is available for adjusting and liquidating obligations properly chargeable to the expired account. 31 U.S.C. 1552(a) requires closing fixed accounts on September 30th of the fifth (5th) fiscal year after the account expires. Close fixed accounts by canceling any remaining direct and reimbursable unobligated and unliquidated obligated balances.

(2) 31 U.S.C. 1555 provided the requirements for closing indefinite accounts (that is, no-year accounts). Close indefinite accounts by canceling any remaining direct and reimbursable unobligated and unliquidated obligated balances when:

(a) the U.S. President or Secretary of Defense, or designee named by the Secretary of Defense, determines the purposes for which the account was made were carried out; and

(b) no disbursements have been made to the account for two consecutive fiscal years.

(3) 31 U.S.C. 1557 states an appropriation law may exempt an account from the provisions for closing accounts and fix the period an account can remain available for expenditure. These exemptions must be enacted into law. Proposed changes to appropriation language changing an account's availability for expenditure can be done when the nature of an appropriation requires disbursements beyond the five expired years. Requests for this authority shall only be made when historical outlay data shows payments for canceled obligated balances from unexpired accounts would regularly exceed the one percent (1%) limitation or would severely impact the current program.

(4) If exempting legislation isn't authorized, alternatives are to use unexpired accounts available for the same general purpose subject to the unexpended and one percent (1%) limitations or request re-appropriations of canceled balances.

x. Any audit requirement, limitation on obligations, or reporting requirement applicable to an account continues to apply to the account after it expires (31 U.S.C. 1554(a)). If an appropriation act contains a limitation on the obligation of funds for a program, project, or activity, the limitation continues for the five-year period after the account expires.

y. United States Property and Fiscal Offices (USPFOs) will record obligations for only the cost of the fuel, not the Federal excise tax (FET). Active U.S. Army and USAR units will review their records to determine what percentage of fuel has been used off-highway in the past. Use that percentage when determining what amount to claim from the Internal Revenue Service (IRS) as a refund. Upon receipt of the refund, reverse the accounts if the total claim is received or adjusted by writing off if refund is a different amount. Anticipated refunds of excise tax paid do not reduce obligations nor increase unobligated fund balances. This should occur at the time the refund receivables are actually collected.

#### **9-6. Obligating U.S. Army Corps of Engineers (USACE) contingencies**

a. For situations in which USACE performs construction, maintenance, and repair projects on a reimbursable basis, USACE may require an amount cited on the order to cover unforeseen contingencies. This amount is determined by USACE and is applied on a percentage basis of the total order. The percentage may vary by geographic region. Ordering activities will obligate for these contingencies.

b. At FY end, reduce contingency obligations to the actual obligations incurred by USACE. To accomplish this, USACE will advise the ordering activity in writing (message is acceptable) of the actual amount it has obligated for contingencies. This will be done not later than September 15 so that there is time to use the funds made available by this adjustment.

c. USACE will advise the ordering activity in writing of the amount it anticipates it will need in the succeeding FY to cover any remaining anticipated contingencies considered to be "within scope contract modifications" to be obligated by the ordering activity. If the contract modifications are not within scope, the ordering activity will obligate contingencies citing current year funds. The exchange of letters or messages may be considered amendments to the original order to avoid the preparation of formal order amendments.

#### **9-7. Recording obligations**

a. Record obligations in the proper accounting classification regardless of the one cited on the obligating document.

b. Record obligations in the accounting month executed without regard to availability of funds.

c. Record obligations based on approved written estimates when actual amounts are not known (for example, travel, transportation, utilities).

d. Record obligation adjustments for the difference between actual and original amounts.

(1) Adjust obligations on receipt of paid vouchers or other documentary evidence indicating the need for adjustment.

(2) Adjust obligations for written changes if they are binding on the contractor without further action.

(3) Cancel an obligated requisition only after a cancellation acknowledgment is received from the supplier.

(4) If a change notice is received from the DBOF-SMA --

(a) Affecting price, quantity, or an acceptable substitution of a like item, adjust the related obligation. Cancel the order if a substitution is unacceptable. Cancel the obligation if the requisitioned item becomes free-issue.

(b) Advising that an ordered item funded by a centrally managed procurement appropriation has been transferred to funding by the DBOF-SMA, record an appropriate obligation.

(c) Causing a customer to require additional funds, the customer may cancel or reduce the quantity on order. If the customer does not receive change notice or does not receive it in time to cancel or modify the quantity on order, the materiel may be refused or returned to the DBOF-SMA.

e. Record obligations incurred and paid simultaneously in the same way as obligations posted before payment.

f. Record obligations providing for a discount at the net price unless it is not cost effective, according to U.S. Treasury guidelines.

g. Record obligations upon receipt of the accepted reimbursable orders {DD Form 448-2 (Acceptance of MIPR)}. The acceptance of a MIPR as a direct fund cite is merely a commitment of funds. If a MIPR is accepted as a direct fund cite, record obligations based on receipt of obligating documents (that is, travel order, contracts, purchase orders, and so forth). Anticipated reimbursements may not be used as a source of obligation authority until a customer order is accepted.

h. Obligate reimbursable orders upon issuance when required or authorized by law to be placed with a U.S. Government agency, such as: (**NOTE:** This is a critical difference from the acceptance requirement of normal project orders and Economy Act orders.)

(1) Federal Prison Industries (18 U.S.C. 4124).

(2) Government Printing Office (44 U.S.C. 111).

(3) General Services Administration (GSA). (For example, ADP purchases or services according to CG B-186535, Sep 27, 1976.)

(4) U.S. Army Corps of Engineers-Civil Works Functions Revolving Fund (33 U.S.C. 576).

(5) Office of Personnel Management (OPM) for investigations, training, and other functions as the OPM is authorized or required to perform on a reimbursable basis also apply to this criteria {(5 U.S.C. Title 1304(e)(1)) {CG B186535, Sep 27, 1976}}.

i. Record estimates for return of materiel temporarily borrowed from the DBOF-SMA when items are returned. Adjust to actual when billing is received. For DBOF-SMA obligate the minimum amount required for the period of the contract.

(1) If the contract provides for annual terms with options to extend the terms in subsequent years, obligate for the amount required to be procured by the U.S. Government in the first year. Record the obligation for each option year when the option is exercised.

(2) If the contract provides for minimum quantities over a period of more than one year, record the obligation for the sum of the minimum quantities times the agreed price. If the contract provides for minimum dollar amounts for more than one year, record the obligation for the sum of the minimum dollar amounts.

(3) Estimate termination costs at least annually for contracts extending for more than one year. Record the obligation for the sum of the guaranteed minimum quantities or amounts unless the sum of the incurred cost and the estimated termination costs are determined to be a lessor amount. In that event, obligate the lessor amount of the incurred cost plus the estimated termination costs.

*j.* Record obligations in accordance with tables 9-1 through 9-7. When one or more of the conditions in the tables apply, record the obligation for the U.S. Government's minimum liability.

*k.* Record MAP/IMET/FMF funds as obligated when received by the U.S. Army. Adjust obligations to amounts shown on travel authorizations or validated MAP orders on receipt of these documents.

*l.* Foreign currency fluctuation program obligations will be --

(1) Direct obligations (Centrally managed allotments).

(2) Financed by one or more of the following appropriations:

(a) Operation and Maintenance, Army.

(b) Military Construction, Army.

(c) Military Family Housing Construction.

(d) Military Family Housing Operation and Maintenance.

(3) Payable --

(a) In a foreign currency designated in DA PAM 37-100-FY;

(b) In U.S. Dollars based on the exchange rate for a designated foreign currency.

(c) To a contractor authorized to purchase foreign currency at a current exchange rate with subsequent payment by the U.S. Government for losses and payment to the U.S. Government for gains.

*m.* Obligate U.S. Dollars based on the budget rate of foreign currency to U.S. Dollars as provided by the DASA(AB).

*n.* Do not adjust obligations made at the budget rate for participating appropriations and currencies because of foreign currency fluctuations. On September 30th each year, record and report at the appropriate budget rate unliquidated obligations for the funding appropriations. For non-participating appropriations or currencies, make adjustments when significant fluctuations occur (for example, exchange rate changes unfavorably by 10% or more).

*o.* Obligating documents must contain the type of currency and the budget rate of exchange. Use the foreign currency code (see DA PAM 37-100-FY) in lieu of the inside/outside U.S. Government data code.

*p.* Foreign currency fluctuation procedures do not apply when the performing activity is funded by the U.S. Army DBOF.

*q.* Certain contracts for fixed U.S. Dollar amounts contain a clause providing for disbursements in foreign currency at the exchange rate current on the date of disbursement. The U.S. Dollar amount paid is the same fixed amount, but U.S. Dollars are converted to foreign currency at the time of payment. While the contract is payable in a foreign currency, the value of the contract itself is not based on a foreign currency or an exchange rate. The gain or loss on exchange is shifted to the payee/contractor. Contracts of this type are not included in the foreign currency fluctuation accounting process.

#### **9-8. RS 3732, 41 U.S.C. 11 - exceptions to fund obligation requirements (Feed and Forage Act)**

41 U.S.C. 11 authorizes incurring obligations in excess of available funds for procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, and medical and hospital supplies for current FY needs in emergencies, when a commander determines that time to obtain funds through normal channels is not available. Disbursements may be made to liquidate obligations made per 41 U.S.C. 11, not to exceed the U.S. Army's fund balance with the U.S. Treasury. Disbursements cannot exceed direct allotments received plus reimbursable collections. If the allotment holder exceeds the allotment received, the commander must prepare the RCS DD Comp (M) 471 Report in accordance with Chapter 29 and immediately request additional funds through normal channels to cover the over-obligation.

*a. Policy.*

(1) The use of the authority of RS 3732 is restricted to emergency cases. These cases must require prompt action which cannot be delayed long enough to obtain enough funds to cover procurement of the authorized services or items. (In deciding the urgency of each case, consider the feasibility of obtaining funds by the fastest communication available.)

(2) This authority will not be used to circumvent the provisions of 31 U.S.C. 1517.

(3) It is not possible to define in specific terms the conditions and circumstances which could conceivably constitute an emergency. Instances in which this authority is to be used must be decided on the basis of the available facts and the policy guidelines. This decision will be made by the MACOM concerned.

(4) This authority will be administered by using the control system of PBAS, fund control and distribution module.

(5) Over-obligation of any appropriation or fund subject to apportionment, or any subdivision thereof, for procurement or furnishing of items specified in RS 3732 is a violation of 31 U.S.C. 1517 unless the over-obligation -

(a) Occurred during emergency circumstances according to the spirit and intent of this chapter.

(b) Is not in excess of requirements for the period of the emergency and these requirements do not exceed the needs of the current fiscal year.

*b. Procedures.*

(1) When it is necessary to create or authorize an over-obligation under RS 3732, the responsible commander will certify, in writing, that --

- (a) An emergency exists within the spirit and intent of RS 3732.
- (b) The over-obligation is to provide only for the needs of the period involved.
- (c) It is not possible to obtain funds in advance to meet these needs.

(2) The certification will show the amount of the over-obligation and will be filed with the supporting records of the funds involved. Financial reports will clearly show --

- (a) That the over-obligation was incurred under RS 3732 and this regulation.
- (b) The organization where the deficiency occurred.
- (c) The fund subdivision involved.
- (d) Amount of the deficiency.
- (e) Types of necessities for which the deficiency was incurred.
- (f) Whether the deficiency was covered before the end of the reporting period.

(3) In addition to the above, the responsible commander will report the over-obligation to the next higher headquarters by the fastest means of communication available. He will also initiate action to obtain funds to cover the over-obligation.

(4) The commander authorizing the over-obligation will prepare a written report, in letter form, and forward through command channels to the Assistant Secretary of the Army (Financial Management and Comptroller), Budget Execution and Policy Division, ATTN: SAFM-BUC-E, Room 3B680, 109 Army Pentagon, Washington, DC 20310-0109, to arrive not later than 10 days after the end of the month in which the over-obligation occurred. The report will contain a summary of all pertinent facts including:

- (a) Name of installation or organization and date the over-obligation occurred.
- (b) Accounting classification of the funds involved.
- (c) Amount of over-obligation.
- (e) Description of the cause and circumstances which warranted the emergency circumstances.
- (f) Date funds were received to cover the over-obligation.
- (g) Listing of items procured (for example, clothing, subsistence, fuel, quarters, transportation, or medical supplies).

#### **9-9. Recoveries (formerly called deobligations)**

a. Recoveries are recoveries of excess obligations of prior years. This includes reductions, downward adjustments, or cancellations of prior-year obligations. Recoveries of expired appropriations may create unobligated balances that are not available for incurring new obligations. They are available for obligation adjustments as shown in Table 9-7.

b. Recoveries of prior-year obligations apply to all no-year, prior-year unexpired, and expired. Reductions or cancellations of prior-year obligations in no-year ("X") and unexpired multi-year appropriations will be reported in budget execution reports.

#### **9-10. Optional unbilled liability policy**

a. The policies in this paragraph may be used for writing off certain liabilities and related obligations. The requirements common to all such transactions are as follows:

(1) Do not recover funds if the contractor, U.S. Government activity, or individual has an outstanding advance related to the obligation.

(2) For appropriations that expire, the write-off and recovery are not authorized until the account expires. U.S. Army DBOF funds can be recovered any time if all other criteria are met.

(3) Reserve a portion of the unobligated funds generated within each appropriation for valid invoices, bills, or vouchers received after write-off. Establish a 40 percent reserve until local experience dictates otherwise.

b. For contracts or purchase orders placed with commercial vendors, liabilities may be written off and related obligations recovered if--

(1) Goods or services were received but no invoice or statement was received for at least 180 days from the date of acceptance of the goods or services.

(2) At least two written requests were made for an invoice during the 180 days and the second request is dated at least 60 days before the write-off or recovery.

(3) Copies of the request are on file in the FAO/DAO where the recoveries are recorded. These requests must be addressed to the vendor. Requests made to paying offices (for example, a Defense Contract Administration Services Region (DCASR)), do not qualify. When the paying and obligating offices are different, paying offices will request invoices and provide copies to the funded fiscal station.

c. The authority to recover does not allow closing the related contract files in either the purchasing and contracting office or the accounts payable office.

d. For orders or agreements with U.S. Government activities, liabilities may be written off and related obligations recovered if--

(1) Goods or services were received but no bill was received for at least 180 days from the acceptance date of the goods or services.

(2) At least two written requests were made for a bill during the 180-day period and the second request is dated at least 60 days prior to the write-off or recovery.

(3) Copies of the request are on file in the FAO/DAO in which the recovery is recorded.

(4) There are no uncleared Transactions By Others (TBO) identified with the billing office if it is a U.S. Army billing office.

e. For MILSTRIP requisitions, liabilities may be written off and related obligations recovered if the following occurs: (See Chapter 34 for interfund policy and procedures.)

(1) Materiel was received and no interfund bill or its equivalent was received for at least 180 days from the date of materiel acceptance.

(2) At least one routing document identifier code (DIC) FAE and one DIC FAF record was submitted with billing advice code 034 during the 180 days with the FAF record submitted at least 60 days prior to the date of write-off or recovery.

(3) Copies of the FAE/FAF records are on file in the FAO/DAO in which the recovery is recorded.

(4) No line item for the same requisition number is in the FAO's/DAO's suspense account (21F3885).

f. For travel orders, estimated liabilities may be written off and related obligations recovered if --

(1) No travel voucher was received for at least 180 days after the estimated completion date of the travel.

(2) At least two written requests during the same 180-day period were sent to the traveler requesting that a voucher be submitted, with the second request sent at least 60 days prior to the write-off or recovery.

(3) Copies of the request are on file in the FAO/DAO in which the recovery is recorded.

(4) The above does not apply if a travel advance was paid. Advance must be recouped in accordance with Chapter 15.

g. Transactions pertaining to closed accounts must obligate and pay from unexpired funds available for the same general purpose subject to the limitations prescribed in paragraph 9-5.